

## **Chapter 3 The Fertility Evolution and Policies in Developed Countries**

Low levels of fertility among a growing number of people, low rates of population growth, and social and economic consequences of the resultant aging of population are causing concern to an increasingly large number of countries. Consequences of increasing or declining population growth rates and sustainable development are a major concern for many governments.

High population growth remains a salient concern in the developing world. Half of the developing countries view their population growth as too high in 2007, even as rates of population growth in developing countries continue to decline, from an average annual rate of 2.4 per cent in 1970-1975 to 1.4 per cent in 2000-2005.<sup>2</sup> In the past, governments that considered fertility of their people to be too high did not always adopt policies to control population growth. In 2007, almost all governments viewed fertility as too high and intervened to lower it.

During the last decade, average births were fewer than what is necessary for generations to replace themselves in many countries. The phenomenon first limited to developed countries extended to some of the developing countries also, in eastern and south-eastern Asia. This chapter focuses on France, Germany, United Kingdom, United States of America, and Japan, and discusses demographic and social trends, governments' policies on family/child allowances, labor laws and tax benefits in these countries. These selected countries are developed countries representing different regions: Asia, Europe, and Northern America. There is great diversity between these countries in many respects. They are different in terms of the size of labor force,

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<sup>2</sup> See [http://www.un.org/esa/population/publications/wpp2006/WPP2006\\_Highlights\\_rev.pdf](http://www.un.org/esa/population/publications/wpp2006/WPP2006_Highlights_rev.pdf).

proportion of elderly population, savings patterns, culture, and institutional arrangements. Demographic parameters of aging differ in terms of speed and intensity.

In Germany and Japan, aging is particularly rapid while in the United States, France and United Kingdom, it is relatively slower. For the German government, the problem of population aging presents a major political challenge, since changes in age structure will have repercussions in many areas. The government considers it of critical importance that the number of years people work increases, and early retirement is restricted. For Japanese government, population aging is the first priority among all population related issues. Faced with a rapidly aging population, Japan considers it essential to provide services for the elderly. The government of the United Kingdom is especially concerned about the steadily increasing demand for long-term care, because of the growth in number of the old and significant increases in costs in coming years, particularly after 2020.

Quite often, public policies try to stimulate fertility through other variables. In some countries, such as France, promoting higher fertility is often regarded as a government responsibility to avoid the adverse consequences of population aging (Gauthier and Hatzius, 1997). On the other hand, in countries where the imprint of liberal culture is stronger, governments are often reluctant to interfere with decisions that are regarded as essentially private. In addition, most policies designed to boost fertility are expensive, and evidence on their effectiveness is often contradictory and not specific enough to provide real guidance to policy makers.

### **3.1 The Fertility Evolution and Policy in France**

In 2007, France had the highest fertility rate of 1.98 among the European countries. In attempting to raise birth rates, the government of France has been

increasingly seeking to address the underlying causes of low fertility and adopt policies, programs and incentives to encourage couples, particularly women, to increase their child bearing. Maternity and paternity leave, childcare, after school programs, part-time employment, job security, cash allowances and other financial incentives are among the measures adopted or being carefully considered or reviewed by the government.

A specific aspect of the welfare system that may affect fertility is the extent to which countries provide specific pension rights to mothers who interrupt their career during childbearing, or at the birth of a second or third child. In France, mothers with three or more children can retire with an immediate pension after only 15 years of contribution ([Assous, 2002](#)).

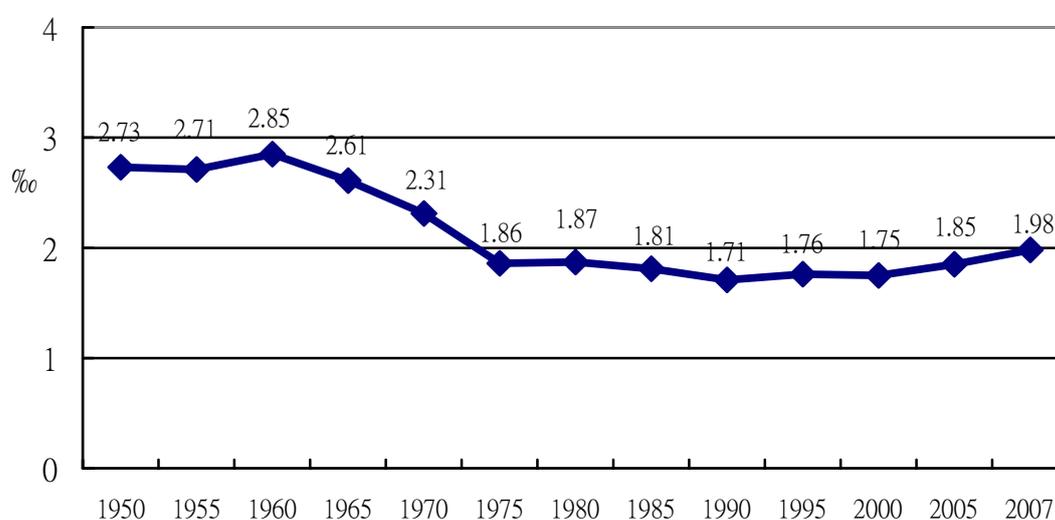
Five objectives have dominated the French family policy:

1. “Solidarity”—to compensate families for the economic costs of child rearing.
2. Pronatalism—to encourage a higher birth rate.
3. “Social justice”—to redistribute income to low-income families with more children.
4. To protect the well-being of children.
5. In more recent years, to protect parental choice among family types, regardless of whether parents choose to work outside the home or to remain at home to rear children.

The order of priority among these goals, especially between the second and third goals has varied over time. The political “right” has continued to stress pronatalism while the “left” has emphasized social justice. At present, the social justice (and anti-poverty and anti-social exclusion) goal has come to the forefront while pronatalist concerns have become less visible.

### 3.1.1 Demographic and Social Trends

France had a population of about 63 million in 2007, a little larger than UK but smaller than Germany, which has the largest population among European Union countries. 18.5 percent of the population is under 15, significantly higher than the EU average.<sup>3</sup> Its fertility rate declined between the 1980s and mid-1990s, from 1.8 in 1985 to 1.65 in early and mid-1990s, when it leveled off and then rose again to 1.75 in 2001, to 1.85 in 2004, and further to 1.98 in 2007 (Figure 3-1).



Source: United Nations, World Population Prospects, <http://esa.un.org/unpp/>; Central Intelligence Agency, The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/>.

Figure 3-1: Total Fertility Rate in France – 1950-2007

According to Claude Martin, the French representative on the European Observatory on Family Matters, the likelihood of divorce has quadrupled from 10 to 40 percent between 1965 and 1997. While 30 years ago just six percent of children were born outside marriage, the rate had rocketed to 40 percent by 1997 (Martin, 1998). Cohabiting and married couples are treated the same for income tax purposes

<sup>3</sup> See Eurostat Year Book 2006-07, [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=2693\\_61100649\\_2693\\_62309131&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2693_61100649_2693_62309131&_dad=portal&_schema=PORTAL).

since 1996. A new legal agreement (the Civil Solidarity Pact) was established in 1999 as a device for “semi-formalizing” cohabitation.

In the mid-1990s, about 69 percent of married mothers, 82 percent of single mothers, and 57 percent of women with children under six were in the labor force. Most of them worked full time. From a different perspective, 85 percent of women with one child under six, 82 percent with two children, including one under six, and 56 percent with three or more children were in the labor force in 1997 ([United Nations Children’s Fund Innocenti Research Centre, 2000](#)).

State subvention in childcare is still linked to the concept of the state as a protector of children and as a guarantor of equal opportunities for children. This concept of rearing of children is rooted in the principles of the Third Republic. Children are seen as part of the nation and their welfare is linked directly to the “common good” and the wealth of the nation. In turn, the nation has obligations towards them. Therefore, childcare came to be considered as a state responsibility and a public issue, and has progressively become an important area of family policy. This manifests itself in terms of state support for families to help them cover their childcare expenses and reconcile their family and working lives.

### **3.1.2 Fertility Policy**

In the 1980s, family policy was characterized by neutrality with respect to family structures, and to a woman’s decision to work outside the home or to be a full-time mother. The political rhetoric was “freedom of choice”. Pronatalist objectives became secondary.

While new benefits were introduced to provide financial help for childcare, new means-tested (eligibility also linked to means of the recipient) allowances were also introduced to address the rising poverty and social exclusion among families. As a

result, the welfare system has become more complex and state action less coherent. Moreover, family policy in France has become increasingly linked to social and employment policies.

In 1997, the government announced a “New Family Policy”, inspired by notions of social justice and gender equality. “Freedom of choice” was no longer part of family policy rhetoric, as the overall European policy recommended an increase in employment rates in every country. Hence, mothers were encouraged to work and to stay in employment. Childcare support became a priority on the political agenda. Emphasis was placed not only on the indirect cost of having children, but also on values: norms of education for children and early socialization, values attached to paid work and to family life and gender equality. In France, the concept of early and collective socialization of children is well received. Public opinion still supports the notion of public services as evidence of state responsibility in education, health, and well being of children. Moreover, the need for balancing work-life with personal life was addressed by policy-makers in all spheres, which represented an attempt to construct a more “children-friendly” and less work-oriented environment for both men and women.

The objectives underlying state support for families have thus changed; social objectives have been introduced wherever unemployment and poverty have increased. As a result an increasing number of benefits are means-tested and paid to low and medium-income families only. Redistribution has become more vertical, between high and low income households. The pronatalist objective is still present in the pattern of benefits but is less explicit than in the past. There is a consensus between public opinion and the political arena on the part played by childcare provisions and facilities in fertility decisions of couples. An increase in the fertility rate is expected to result from state support for childcare and from “good” quality provisions. The government

determines its objectives on the basis of opinion surveys, which mostly converge on the ideal number of children that individuals declare they would like, a number generally higher than the number of children they actually have. Inadequate availability of childcare facilities is often the argument given for limiting the number of children. Consequently, the government emphasizes balancing between childcare and work-life.

### **3.1.3 Measures to Raise Fertility**

#### **1. Family Allowances**

Family benefit, in cash or in kind, forms a complex system due to their increasing numbers, varied objectives, and the varying entitlement criterion. There are no less than thirty different allowances aimed at supporting families, a fact which by itself indicates the complexity of the system.

The basic family allowance in 2003 was about 111 Euros a month for the second child (the first child receives no benefit) and 260 Euros for those with three children. Benefits are higher for older children.

- The basic allowance will itself be composed of a childbirth allowance of EUR 800, paid during the 7th month of pregnancy, which is not means-tested and is paid for the first and all subsequent children, then an allowance of EUR 159 per month, to be paid from the child's birth up to the age of three.
- The self-select supplement will be paid to enable parents to give up work (stop work supplement) or to opt for a particular form of childcare (childcare supplement) for a child aged under six.
- The childcare supplement will vary according to the household income and will be halved for a child aged 3 to 6. The employer's and worker's contributions for employment of a child-minder will continue to be covered in full; for

employment of a nanny, half the contributions will be covered. Lastly, tax credit arrangements for childcare costs will not be affected ([Rainwater and Smeeding, 2003](#)).

- The stop work supplement will be paid for each child aged under 3. Where the parent stops work altogether, the household will receive EUR 493 per month (a supplement of EUR 334 per month plus EUR 159 per month, or, for families not covered by the basic allowance, EUR 493 per month). In case of part-time workers, the supplement will be EUR 216 per month for those with half-time work and EUR 124 per month for those who work for 50 percent to 80 percent of normal working time. This partial stop work supplement may be paid on top of the childcare supplement.

The above are, then, the principal family allowances that aim to compensate families for the cost of having children. The system of family benefits is becoming highly complex as new allowances have been introduced and the entitlement conditions are increasingly diverse. When a large number of allowances are means-tested, family policy loses its autonomy as a policy sector and becomes more or less part of the overall social policy. But family policy cannot simply be reduced to a system of allowances: not only does the actual cost of having children matter, but also the time dedicated to childcare should be taken into account. And, the right to care is recognized in labor law.

## **2. Caring Rights in Labor Law**

The majority of rights relating to care incorporated into the Labor Code concern the off work time allowed to employees when they are parents or when they have to care for a disabled person or elderly relative. Hence, maternity leave, paternity leave, and leave to care of a sick child can be seen as a fundamental right of families to care for their relatives.

Every pregnant working woman is entitled to 16 weeks' maternity leave (6 weeks before the expected date of delivery and 10 weeks after). This can be extended to 26 weeks in case of birth of the third child, of multiple births, of health problems due to pregnancy (two additional weeks before the delivery and four weeks after), or where the newborn child has health problems. Redundancy during maternity leave is strictly forbidden. In addition, employee's right to return to work after completion of maternity leave is guaranteed; they cannot be fired during the first four weeks after returning to work. Maternity leave is financed by the health insurance system, so women employees receive their earnings while on leave.<sup>4</sup>

Paternity leave is available to all male employees and to all participants in continuing vocational training. It is also available, subject to adjustments, to civil servants, the military, non-salaried agricultural and non-agricultural workers and members of the liberal professions. Paternity leave is eleven consecutive days in case of birth of a single baby, and eighteen days in case of multiple births, starting from the birth of the child. The leave cannot be split. It can, however, be cumulated with three days' leave granted on the birth of a child.

Parental Leave was first introduced in legislation enacted in 1985, improved in 1994, and extended to include adoption in 1996. Workers qualify for leave after working for the same employer for at least one year. Workers have the right to return to the same or a similar job at the same pay. The leave is unpaid for the first child and paid for the second and subsequent child at a flat rate, pro-rated if taken only part-time (Fagnani, 2000). Since 1994 parents may choose to take leave at the same time or sequentially. The duration of the leave is up to three years and it can be extended by one year in case of sickness, accident, or handicap of the child. The leave can be taken as a full-time leave from work, or part time. Workers must give their

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<sup>4</sup> See <http://riviera.angloinfo.com/countries/france/work9.asp>.

employer at least one month notice before taking the leave. Employers cannot refuse the leave. Almost all those with one child return to their job; with two or more children the rate of return varies with the number of children one has and parents' level of education and skill.

Every employee has the right to take unpaid leave to care for his/her sick child under the age of sixteen.<sup>5</sup> Legally, periods of leave may not exceed three days (or five days in specific cases), but this is a minimum and, in fact, most collective agreements have provisions for special circumstances. In the public sector, employees are allowed to take up to fourteen days a year off to care for a sick child.

In cases of serious disability or illness of a child under sixteen, every employee with at least one year's employment with the same employer is entitled to paid leave to care for her/his child, or to work part-time. The level of the allowance depends on the period worked for the employer and on the family structure. A similar period of leave is allowed to employees who have to care for a relative at the end of his/her life, a child or a relative living in the same house or apartment.

### **3. Child and Family Tax Benefits**

Two tax rebate schemes - for married couples and for families - are a feature of the tax system in France. Both schemes allow a progressive deduction from taxable income according to a unit scheme that allocates units according to family size and composition. Each parent is allocated one unit and each children a half-unit. In single-parent families, the first child is allocated one full unit and the others a half-unit. Families with three or more children are given an additional half-unit. The total income is divided by the number of units.

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<sup>5</sup> See [http://www.ilo.org/public/english/employment/gems/ceo/law/france/1\\_lc.htm#Parental%20leave](http://www.ilo.org/public/english/employment/gems/ceo/law/france/1_lc.htm#Parental%20leave).

### **3.1.4 Effect Evaluation**

Financially the above mentioned plans cost the French government about 1 billion Euros each year, which is quite problematic for the future. Although the cost is high, the results have been very fruitful. France's total fertility rate has risen significantly since the mid-1990s; it declined between the 1980s and mid-1990s from 1.8 in 1985 to 1.65 in the early and mid 1990s, where it leveled off and then rose again to 1.75 in 2001, 1.85 in 2004, and 1.98 in 2007 (Figure 3-1).

The objective of the system is to relieve the financial burden on families, particularly in case of large and single-parent families. The existence of family allowances in addition to this recognition of the right to care for families explains why the French state qualifies as a "family friendly" welfare state. However, state support for families is not only in cash; it is also in kind, particularly with regard to childcare facilities.

One of the most evident aspect of the fertility policy in France is that it sets other main issues completely aside – issues that are receiving a lot of attention in other European countries. These issues include development of equitable public childcare solutions for children under 3 years old for the entire nation, payment of parental leave on the basis of a person's previous salary and the even bigger question of equal opportunities for women and men, which could lead to making no distinction among maternal, paternal and parental leave.

## **3.2 The Fertility Evolution and Policy in Germany**

In Germany today, the government attitude towards work/family policy is one of individuality. In other words, the government of Germany, through its work/family policies, stresses that services should not be centralized. This belief is also reflected in the fact that no universally implemented policy exists in Germany. Each individual

German state is left to generally make its own decisions and implement its own policies (Trzcinski, 2000). However, in recent years, largely due to its role within the European Union, Germany has established a few integrated policies that relate to work/family issues.

The post-war German settlement was based on the idea of a “social state”, sometimes viewed as a “social market economy”. The central principle is that social welfare would most effectively be expanded further through economic development, and that the structure of social benefits should reinforce this. Social benefits in Germany are closely linked to one’s position in the labor market, i.e. they are earnings-related; those lacking work histories may not be fully covered.

There is also a strong emphasis on the principle of subsidiary, which, in this context means that services should be decentralized or independently managed, and the level of state subvention should be residual - that is, limited to circumstances which are not adequately covered in other ways. Social insurance, for example, which covers the costs of health, some social care, and much of the income maintenance system, is managed by a system of independent funds.

Germany has a constitutional commitment to the family and has a federal ministry that includes “family” among its responsibilities and thus would be listed among countries with explicit family policies. The federal authorities regularly convene groups of scientists who produce “youth” and family reports, all by parliamentary mandate. Some states and communes also publish family reports, covering children and youth as well. Nonetheless, while there are explicit family policies in most social policy domains, there is no overall integrated policy and no institutionalized system of implementation.

German family policies, historically, have been designed to encourage and sustain the traditional, two-parent family with an “at-home” mother caring for the

children. Indeed, a Danish research group has described the German welfare state as “the male breadwinner mode” (Abrahamson, 1999). In the past, this meant large families, but in more recent years, there has been interest in two-child families, which is “large” in the current context.

According to Bien (2002), the media sensationalized the figures as “a drastic population decline entailing considerable disadvantages for Germany as an industrial location”. Young people, especially young women, were accused of endangering the survival of Germany, but these allegations soon gave way to more realistic responses. Public policies are now focused on boosting immigration of highly skilled immigrants, increasing labor force participation of women, and enacting policies to help reconcile work and family responsibilities. The growing concern about low birth rates contributed to a reevaluation of the existing family policy in Germany that has, at least initially, led to increased spending and an assessment of the best means to provide support to families.

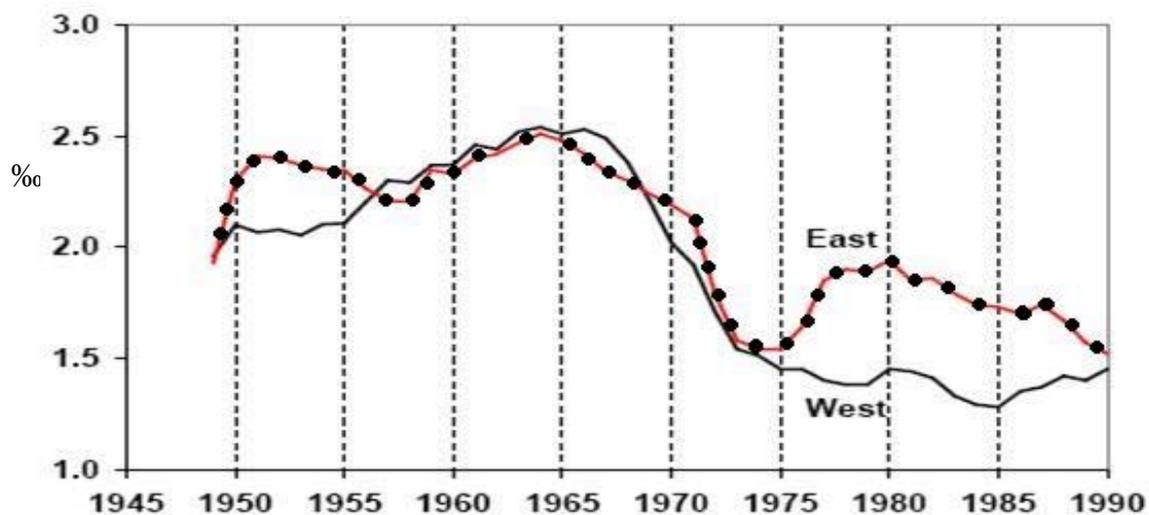
Germany’s slow economic growth and relatively high unemployment since 2001 have led to a consensus about the need to increase flexibility in the labor market by easing some protections and reducing benefits. Various possible reforms of healthcare, tax, and pension systems are on the table. Thus far, no explicit action with regard to child and family policies is visible.

### **3.2.1 Demographic and Social Trends**

The largest country in the EU, Germany, has a population of 82.3 million (2007). Despite the Berlin Wall and the fortified boundary that had divided East and West Germany, the two Germanys had many similar demographic developments in the postwar period. In the late 1950s and especially in the 1960s, both Germanys experienced a “baby boom”, stimulated by increased economic prosperity and a

heightened sense of security.

The two parts of Germany saw an increase in birth numbers at the beginning of the 1960s, when the total fertility rate reached its post-war peak of 2.5 children per woman. A rapid reduction in the number of children born to a woman and in the absolute number of births that followed first began in East Germany as early as 1964, whilst in West Germany birth numbers started falling from 1967 onwards. By 1975, the total fertility rate fell to 1.45 in West Germany and to 1.54 in East Germany (Figure 3-2).



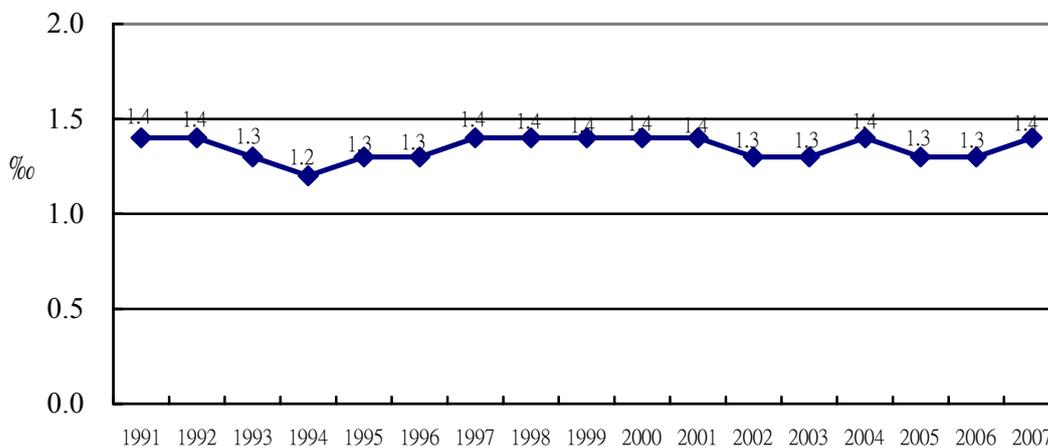
Source: Kreyenfeld (2002).

Figure 3-2: Total Fertility Rate in East Germany and West Germany—1949-1990

After mid-1970s, birth rates moved very differently in the two parts of Germany. In West Germany, birth rate continued to decline, reaching its bottom in the mid-1980s when less than 1.3 children were born to a woman. Afterwards birth rate rose again to 1.45 by 1990; after that the rate has oscillated moderately around 1.4 children per woman, except in 1994 (Figure 3-3).

In East Germany birth rates moved differently after mid-1970s. There the

government adopted comprehensive benefits for families with children to counteract a further decline of birth numbers. In 1980, this policy even led to a clear increase in the total fertility rate to 1.94 children per woman. Afterwards the birth rate again began to decline slowly. A strong decline of birth numbers was recorded in the new federal state in the aftermath of the fundamental socio-economic changes caused by reunification of Germany. Since mid-1990s the birth rate has again been rising in the new federal state. Since 1997, the average number of children per woman has been oscillating around 1.4.



Source: Statistical Office of the European Communities, <http://epp.eurostat.ec.europa.eu>.

Figure 3-3: Total Fertility Rate in Germany – 1990-2007

Although population of East Germany was just one-fifth that of West Germany, until 1986 East Germany officially topped West Germany in absolute terms in both the number of births outside marriage and the number of abortions. This situation was caused in part by a chronic lack of birth control choices in the former Soviet bloc and the practice of using abortion as a regular means of curbing unwanted pregnancies. In 1988 one-third of all births in East Germany were to unwed mothers, whereas the figure for West Germany was only one-tenth of all births. The trend of out-of-wedlock

births in the east continued to increase after unification.

Over 80 percent of German children live with both their natural parents, who are likely to be married to each other. Though higher than other EU countries, the proportion of children living with married couples has declined in recent decades, as re-marriage rates too have declined. Parents living in what was formerly East Germany are more likely to have children outside of marriage and have only one child. Four out of ten children in Eastern Germany have parents who are not married.

Germany has one of the lowest percentages of family households with children in the entire EU. Of all German single mothers, 39 percent are divorced, 22 percent widowed, 13 percent separated, and 27 percent unmarried. Cohabitation has been increasing rapidly in Germany; about 35 percent of 16-29 year old couples are living in a consensual union ([Bradshaw and Finch, 2002](#)).

Pre-unification, West German female labor force participation was mid-range of the EU. Currently, while behind all Nordic countries, it exceeds the EU and OECD averages of 60.2 percent. In 2000, 64 percent of all German women were employed, 84.5 percent of whom were working part-time, one of the highest female part-time employment rates among OECD countries (average 71.2 percent) but just above the EU average of 81 percent.

Female labor force participation rates decline as the number of children goes up. In 2000, 63 percent of married mothers worked outside the home; 67 percent of single mothers worked. Among women with children under the age of 6, 45.9 percent of married and 49.6 percent of the unmarried mothers were employed. The rates are only slightly different when children are under 3. This is a major increase in employment for married mothers over the past 25 years ([Bradshaw and Finch, 2002](#)).

### **3.2.2 Fertility Policy**

The post-war history of Germany is marked by two momentous and extraordinary events. First, the emergence of a democratic German state, with a strong economy, and behind the iron curtain a socialistic state with a centralized economy, after the catastrophe of the National Socialist regime and the Second World War. Then, the unification in 1990 of East and West to form a new Germany, an event few people thought they would ever live to see. These two events form a strong and unique historical context that impacts significantly the current situation in early childhood education and care in Germany. As we shall see in the next section, the Federal Republic constituted after the War was founded on certain principles, such as subsidiarity, that have had a strong influence on administrative structures and policy making and continue to do so. At the same time, the large differences between early childhood provisions in the ABL (Arbeitsgemeinschaft bäuerliche Landwirtschaft) and the NBL (New Bundesländer) are the result of divergent policies and development patterns in the period up to unification, as democratic capitalism in the West was quite different from centralist socialism in the East.

Since unification, the distinction between West and East has become less pronounced. Attitudes to maternal employment are changing in the West, while some women in the East prefer to spend more time at home. The strengths of the system in the NBL are now receiving wider recognition. At the same time, employees in the NBL appreciate working and living in more open and democratic conditions, where they have more freedom to explore different ways of working and are not regulated prescriptively by a centralized state. Yet, the traces of difference remain and were apparent to the review team. In the West, ambivalence towards the idea of mothers going to work, especially those with young children, was still sometimes to be found. People we met – politicians, officials, parents – would sometimes talk of parents

“giving away” young children when talking about the use of ECEC (Early Childhood Education and Childcare) services. A dualistic way of thinking was often apparent; either parents were responsible for bringing up children or else they surrendered their responsibility to the state.

In Germany, ECEC is part of the children and youth welfare system. For a long time, various fields of child and youth welfare were exclusively or almost exclusively the domain of voluntary providers, especially churches and charities close to them. ECEC is high on the political agenda in Germany for ‘childcare’ and labor market concerns. As part of its support for working parents, the Federal government was taking two important childcare initiatives at the time of our visit. The first initiative aims to increase ECEC services in the ABL.

Since 2002, linked to a coalition agreement between parties forming the Federal government, the Federal government has had a target of building 230,000 places for children under 3 in the ABL by 2010. To achieve this goal, the Federal government had proposed new legislation (the Daycare Expansion Act), which has now been passed by the Lower House and sets out broad national criteria for determining need for these services, especially for children under 3, including parental employment or study, besides need for high service quality. Because of legal reasons, it was unable to allocate money directly to municipalities to fund the new services meeting the proposed criteria, the Federal government linked the legislation to reforms in the field of employment, which would save municipalities 2.5 billion € a year, of which, in the opinion of the Federal government, 1.5 billion € should be spent on childcare.

The Federal strategy depended, therefore, on both measures going through, and on municipalities being prepared to use savings in one area to fund expansion in another. The municipalities meanwhile complained that €1.5 billion was insufficient, and that municipalities likely to achieve larger social security savings (i.e. those with

many income support recipients) were not necessarily those with the greatest need for increased childcare.

The second Federal initiative was to stimulate the growth of All Day Schools which, among other possibilities, could provide childcare for school-age children. Once again, though, the federal system introduced complexities. The €4 billion made available by the Federal government could only be used for capital investment and municipalities would then have to pay for recurring running costs from their own resources. Both of these initiatives provide further illustration of the problems faced by the Federal government in attempting to stimulate ECEC.

### **3.2.3 Measures to Raise Fertility**

#### **1. Family and Child Allowances**

Families not eligible for child tax exemptions in Germany can get child allowances meant to encourage families to have children. Child benefits are the same for the first two kids and go up for every child after the first two. Benefits are available until kids reach the age of 18, and can remain available until kids are 21 if they are unemployed and 27 if they are continuing their education. There is no age limit for disabled children.

Another important allowance that discourages women from going back to work after having children is the fact that mothers who spend up to 3 years at home raising children can get a pension that equals about 3 years of average wage. Compared with the rest of Europe, the German benefits are generous, but not among the leaders.

Availability of childcare is a major problem in Germany, especially for younger children, because of the social view that mothers should stay home and take care of children until they reach school age. Only 1/3 of children of age 5 and under have access to full-time childcare in Germany. Although 90 percent of three to five year

olds are covered in Germany under public and publicly-subsidized childcare facilities in preschools, hours can be very inconvenient for working mothers.

## **2. Caring Rights in Labor Law**

Mothers are allowed job-protected leave for 14 weeks (beginning 6 weeks before childbirth) and continuation of all fringe benefit coverage without payment of contributions or taxes.<sup>6</sup> A female employee is entitled to a maternity benefit equal to average net pay of up to 12.78 Euros/day and an additional amount is paid by the employer during protected maternity leave. Persons in the statutory health insurance scheme are entitled to a benefit equal to their sickness benefit or a one-time childbirth allowance of 77 Euros. Female employees not insured by the federal government receive a one-time maternity allowance of up to 205 Euros.

Parents have a two-year flat-rate, child-rearing allowance and a related 3 years job protected leave as an extended benefit following childbirth. Both mothers and fathers who work in firms that have more than 15 employees are entitled to take a three-year parental leave and since 2001, they can do so at the same time. Although both parents are eligible, mothers are the users overwhelmingly, with less than one percent of eligible fathers taking any part of the leave. Parents have the option of working part-time while availing of parental leave. The number of hours a parent could work and continue to claim the benefit has been increased from 19 to 30 hours. Some states provide income replacement for the third year. Parents may postpone the third year of parental leave until their child's eighth birthday and may also now collect unemployment benefits while receiving a child-rearing allowance. Working adults in a two-worker family also have the right to remain at home up to 10 days per year to care for an ill child under the age of 12. Single mothers may remain at home for up to 20 days, per child. A family with several children may use up to 50 days of leave.

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<sup>6</sup> See [www.childpolicyintl.org](http://www.childpolicyintl.org).

### **3. Child and Family Tax Benefits**

While the rapid aging of the population continued to threaten the fiscal budget, the German government finalized the Tax Reform, which involved marginal tax reductions for all income levels. The basic tax rate was reduced from 25.9 percent in 1998 to 15 percent in 2005 (Akin, 2008).

Income tax child benefits exist for families who have children under the age of 16 or disabled children. They can claim this income tax allowance only if their child benefits are less than full exemptions allowed under German law. Parents who have one or more child in school or vocational training can receive an education tax allowance varying from 920 to 2147 Euros per child per year. They may also get public educational grants. If a single parent gets one of the child-related tax benefits or allowances, he/she may also get a household tax allowance.

A German policy called “income splitting” gives tax advantages to families with one high-earning and one low-earning spouse (Trzcinski, 2000). Income splitting results in a disadvantage for dual-earner families with two somewhat equal wages. Under this policy, part-time workers earning more than stipulated thresholds in Germany have to make contributions to healthcare and pension systems. When part-time workers go over this set limit, they also face a large tax. This discourages part-time workers (who are mainly women) from working to earn more than the set threshold limit.

#### **3.2.4 Effect Evaluation**

As one of Europe’s active welfare states, Germany is not the largest provider of benefits or program leader in most areas, but remains among the more generous countries in social guarantees generally. The 1976 policy in East Germany resulted in earlier childbirths, and raised fertility generally. Most analysts believed that the effect

of these measures has been dwindling over time, but dramatic political changes have made proof impossible. Overall, the role of the government in family issues was stressed more in Germany.

The case of Germany did not reveal the driving forces behind fertility rates, as had been hoped. Since 1970, Germany's fertility rate remains below replacement level and is now seriously below that level. Even with the growing realization that very low fertility was not necessarily a temporary phenomenon, governments have remained slow to take policy measures which support higher fertility. Germany's birth rate is sinking despite many years of tax breaks for parents and plans to expand kindergartens to help working parents.

### **3.3 The Fertility Evolution and Policy in United Kingdom**

Despite its earlier pioneering role as a welfare state, Britain has clearly been a laggard in terms of its social policy responses to issues related to gender roles and other changes in family laws in the latter part of the 20th century. In its move toward economic liberalism in the Thatcher era, and its stress on means-tested rather than universal benefits, it has demonstrated its membership in what have been called the Anglo-American "family of nations" (Castles, 1993). Following the U.S., in recent years, Britain moved to increase its labor flexibility, deregulate wages, contain social spending, increase privatization, and reduce its unemployment rate almost to the OECD average. The privacy of the family is a traditional and well-established core value in British culture. The assumption that government should keep its role limited with regard to families, intervening only in situations of crisis or dysfunction, continues.

Britain does not have and has never had an explicitly formulated policy with regard to families and children. Over time, however, successive British governments

have adopted a range of measures directly or indirectly targeted at families that have had a significant impact on their standard of living. Though mothers and children constitute a major group of welfare beneficiaries (HM-Treasury, 1999), there has been no coherent or consistent policy regarding children or families with children; children's needs have rarely been the predominant factor in decision-making. Many would insist, furthermore, that child policy in Britain has focused on poor children far more than it has on children in general, and on dependent, handicapped and troubled children even more than it has on poor children.

### **3.3.1 Demographic and Social Trends**

UK is among the larger European countries, with a population of 60.8 million in 2007, only slightly smaller in size than France, though significantly smaller than Germany.

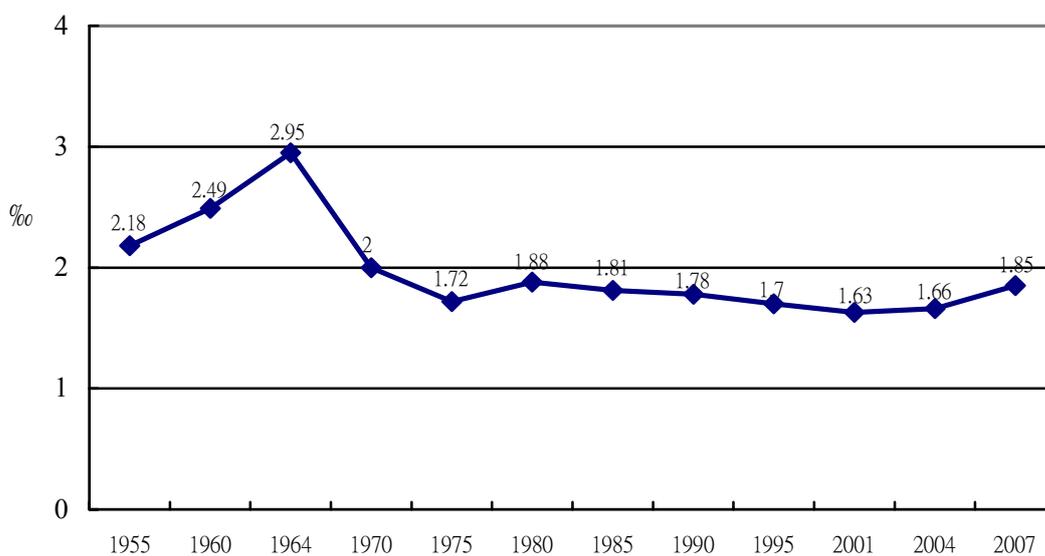
Britain is an aging society, with almost 16 percent of its population aged 65 years and older while children under 15 account for only 19 percent.<sup>7</sup> The British family is following the same pattern as that of the other advanced industrialized countries: smaller families, fewer marriages, more divorces, more cohabitation, declining birth rates, more out-of-wedlock births, first births at relatively older ages, and more working mothers.

In 2007 the total fertility rate in the UK was 1.85 children per woman. In 2001, the TFR had hit a record low of 1.63, but it has increased each year since then. Although the current level of fertility is relatively high compared with that seen during the 1990s, the TFR was considerably higher during the 1960s "baby boom", when it had peaked at 2.95 children per woman in 1964 (Figure 3-4). Marriage and childbearing are, however, increasingly being viewed as separate phenomenon with

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<sup>7</sup> See [http://www.prb.org/Datafinder/Geography/Summary.aspx?region=183&region\\_type=2](http://www.prb.org/Datafinder/Geography/Summary.aspx?region=183&region_type=2).

births outside wedlock increasing dramatically from 12 percent in 1980 to about 33 percent in 1996 and close to 40 percent by the end of the century. 41 percent of all new births were to unwed mothers in 2002, against 31 percent in 1993 (Barnes and Willitts, 2004).



Source: Office for National Statistics, <http://www.statistics.gov.uk/cci/nugget.asp?ID=951> .

Figure 3-4: Total Fertility Rate in United Kingdom – 1950-2007

Two-thirds of all extra-marital births are to women under 25 years of age. However, both parents register most of these births. Very young children are increasingly likely to be living with cohabiting, rather than legally married, parents. Although Britain’s teen non-marital birth rate is much lower than that of the U.S., it is the highest in the EU, by far. Single parents constitute about 25 percent of families with children, 90 percent of them headed by women. Never-married mothers were the largest and most rapidly growing group constituting 42 percent of all single mothers in 1997. Ethnic and racial minorities, although still a relatively small proportion of the population, are becoming more significant.

In 1997, 67 percent of married mothers were in the labor force but 60 percent of them worked part time (Kameran, 1998). In 2002, the employment rate of women

with a child under the age of 5 was 53 percent while the rate for mothers with older children was over 73 percent; 60 percent work part-time.

The British government's strategy towards single parents is to halve the rate of conceptions among under 18 year olds by 2010 and to reduce the risk of long term social exclusion by getting more teenage parents into education, training, and employment ([MISSOC, 2002](#)).

### **3.3.2 Fertility Policy**

Britain's implicit family policy is largely an antipoverty policy, stressing social assistance and means-tested benefits as its primary strategy. Defining those in poverty as households with income less than half the national average after housing costs, the Child Poverty Action Group (CPAG) says that Britain has one of the highest rates of child poverty in the western world. In mid-1990s, Britain had the highest poverty rate among European Union countries ([Bradbury and Jantii, 1999](#)). The poverty rate among children was only exceeded by the U.S. and Russia; it had the highest child poverty rate among countries in which child poverty rates were higher than poverty rates among the elderly ([Roberts, 1999](#)). In 1999, Britain's child poverty rate was 15.4 percent ([Chen and Corak, 2005](#)), the sixth highest of 25 countries, just after Australia, Canada, and much above Iceland, New Zealand, and the U.S. It has declined by 3.1 percentage points since 1990, the largest decline among these countries, in part because of the active anti-child poverty initiative of the labor government.

Its goals have been extended in recent years, as political importance of family issues grew under the Labor government. Among major concerns now are: income inequality, which is the highest in the EU, social exclusion of children and families, prevention of juvenile delinquency and youth crime, promotion of better parenting practices, and a relatively recent focus on encouraging work by single mothers and on

reducing the caseload of Britain's social assistance program (Income Support).

The Labor government has made eradication of child poverty by 2019 (halving child poverty by 2010) one of its central objectives. It is focusing on reducing child poverty through support to low-income families, and an emphasis on work and work-related benefits. Current multidimensional strategies tackle child poverty through education, targeted interventions to support families with young children, and by supporting innovation and good practices in the voluntary sector. Britain has begun to implement a series of policies that reform the tax and benefits system in its efforts to reduce child poverty and to increase employment by making work pay. The government's strategy includes:

- Ensuring a decent family income, with work for those who can and extra support for those who cannot;
- Access to excellent public services - including a world class education system for all, ensuring that children from poor backgrounds have the skills and education they need to break the cycle of disadvantage;
- Targeted interventions such as the Sure Start Program and Children's Fund, for those with additional needs and at key stages in life; and
- Harnessing the power and expertise of voluntary and community sectors, providing support for innovation and good practices, and fostering a strategic partnership with these sectors to fight child poverty.

Reform efforts began in the late 1990s with increases in the universal Child Benefit and introduction of the Working Families' Tax Credit (WFTC).<sup>8</sup> The WFTC provides the largest benefits to families with children, and is similar to, though more generous, than the U.S. Earned Income Tax Credit. Following this, the Children's Tax Credit was enacted in 2001 which targets lower and middle income families and more

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<sup>8</sup> See [http://www.cpag.org.uk/cro/arch\\_briefings.htm](http://www.cpag.org.uk/cro/arch_briefings.htm).

than doubles married couples' tax allowances. The next step in the reform is introduction in 2003 of an integrated child credit, which brings together different strands of support for children in the universal Child Benefit, Working Families' Tax Credit, Income Support/Jobseeker's Allowance and the Children's Tax Credit, to create a seamless system of financial support for children. At the same time, the government plans to introduce an employment tax credit that complements the new child credit. The employment tax credit would be payable through the wage packet, and potentially would be available not only to families with children, as in the WFTC, but extended to groups without children as well.

According to the British national expert member of the European Observatory on Family Matters, [Ceridwen \(2002\)](#), among family policy issues causing most political or public concern now are:

- The high incidence of family and child poverty—nearly one in three children in Britain lived below the poverty line (below 60 percent of median income) in 1997, declining to 28 percent by 2004.
- Marriage and relationship stability - high levels of divorce are accompanied by growing incidences of cohabitation and extra-marital childbearing.
- Balancing home and work life - men in Britain work the longest hours in Europe.

Teenage pregnancy is the highest in Europe and is not falling significantly. Most teenage mothers (85 percent) are unmarried and a very high proportion of them is financially dependent on the state ([Family Policy Studies Centre, 2000](#)).

### **3.3.3 Measures to Raise Fertility**

#### **1. Family and Child Allowances**

Child Benefit (CB) is a universal (non-income-tested), tax-free cash benefit

provided for each child in a family, including the first. The benefit is available until a child is of age 16 (or 19 if at school) and for up to 4 months for those 16/17 year old who have left school and are looking for a job or training program. The benefit is financed out of general revenue, and, since 1992, has been indexed to wages. However, its value, as a percentage of social benefits or average wages has not been maintained since being first established at the end of World War II. Since 1991 CB has been paid at a higher rate for the first child and at the same flat rate for all others. The CB package in the early 1990s, provided to a single mother with two children, was worth about 8 percent of average male wages and 13.4 percent of average female wages. CB for a two-child, two-parent family was worth about 6.5 percent of average male earnings in 1992. It compares well with other European countries with regard to small families (those with one or two children) but poorly with regard to larger families. In two-parent families, the benefit is paid to the mother, thus becoming a kind of “mother’s wage”.

## **2. Caring Rights in Labor Law**

As of April 2003, ordinary paid job protected maternity leave available is 26 weeks (beginning in the 11th week before the baby is due, if the woman wishes), and an additional unpaid maternity leave of 26 weeks is also available. The first 6 weeks of leave are available at 90 percent of pay, and then 20 weeks at a flat wage rate of £100 per week. Paternity leave of 1-2 weeks is granted to employees with 26 weeks of prior work, at £100 per week. British maternity pay is worth substantively less than the EU average. Adoptive parents have the right to the benefit as well. In 2002, 68 percent of employers supplemented the statutory benefit and duration; about 85 percent of women entitled to the additional maternal leave take an average of 31% of the full 40 weeks leave.

Parental Leaves were established December 15, 1999, as a result of an EU

directive as a supplement to the maternity leave policy. Either parent having or adopting a baby or having at least one year's qualifying service with the employer, is entitled to an unpaid, job-protected leave which can last up to 13 weeks per parent. The leave can be taken at any time within the first five years of the child's life.

This type of leave is in addition to the maternity and paternity leave offered by employers. To qualify for this leave, parents must have worked for at least one full year with their current employer before the leave can be taken. "Family Leave" was also created so that workers could take time off for family emergencies (such as an ill child or spouse)

### **3. Child and Family Tax Benefits**

The filing unit for income taxes is the individual, with husbands and wives being taxed independently. In April 2003, the Working Families' Tax Credit, Disabled Person's Tax Credit, Job-Seekers' Allowance, and Children's Tax Credit were replaced by two new tax credits that are administered, along with Child Benefit, through the Department of Inland Revenue. The aims of these new tax credits are to make work pay and reduce child poverty in workless households. Child benefit is received by almost all families with children ([Barnes and Willits, 2004](#)).

The new tax credits are called Child Tax Credit and Working Tax Credit and will provide support to a wider range of people through a single framework. The Child Tax Credit is for families with at least one child. It is paid at a higher rate to families with at least one child under the age of one (known as the baby element); and to families whose child has a severe disability.

The Working Tax Credit is for employed persons who are single, and married couple living together or cohabitating. The level of the credit varies according to household status, presence of children, number of hours worked, childcare costs, and if either resident parent is disabled. By 2004, about 90 percent of families with

children received the child tax credit.

### **3.3.4 Effect Evaluation**

Although the total fertility rate has increased, the government is not even on course to meet its key target which is the 2.1, i.e. the replacement level.

Furthermore, access to childcare will continue to depend on where families live and, importantly, on their income and employment status. This raises serious doubts about the future success of an approach predicating entry into employment as the route out of social and economic deprivation.

Finally, the government is challenging the traditional British distinction between public policy and the private world of the family. In particular, initiatives like the parenting orders intervene in the relationship between parents and their children, which has always been considered to be beyond the ambit of the state. It remains to be seen how popular and effective this will be.

## **3.4 The Fertility Evolution and Policy in United States of America**

The United States has no explicit national, comprehensive family or child policy, nor has there been any such policy or cluster of policies in the past. Nonetheless, over the past century, even as European welfare states were being shaped, the U.S. also developed many of the institutional supports and commitments to what in Europe would be called elements of a welfare state. Among these, from time to time, were measures directed at children or families with children, which might be said to constitute implicit child and family policies. These enactments were in considerable part concentrated in several “bursts” during periods of reform: the Progressive Era (approximately 1895-1920), the New Deal and its aftermath (1932-1954), and the War on Poverty and the Great Society (1960-1974).

### 3.4.1 Demographic and Social Trends

According to government reports, the U.S. has a population of about 303 million (2008 estimate), making it the largest country in the OECD and equal to more than three-quarters of the population of the entire pre-expansion European Union. In 2008, the U.S. had a population larger than all countries except China and India. It is significantly younger than the EU countries, with 12.4 percent of its population in 2005 made up of persons 65 year and older, in contrast to a 17.4 percent EU-15 average. Some 20.5 percent of the U.S. population consisted in 2005 of children under 15, in contrast to a 16.0 percent EU-15 average (OECD, 2007).

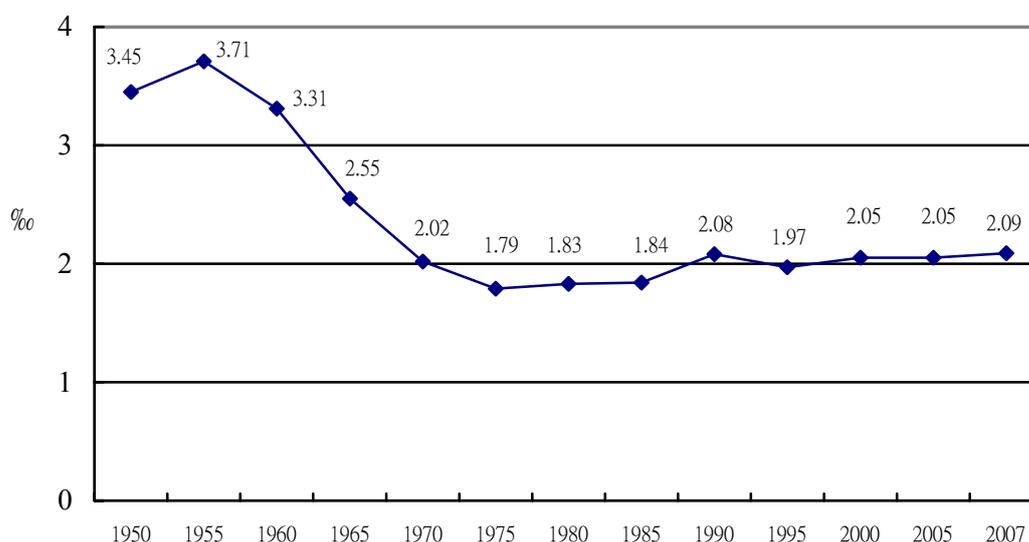
As is well known, the U.S. is a country that continues to admit a large number of immigrants each year, now mostly from Latin America and Asia. Legal immigration was just over one million per year for the years 2000 to 2006. In the year 2003, 11.7 percent of the U.S. population (33.5 million people) were foreign born, a little more than half (53.5 percent) from Latin America, 25.0 percent from Asia, and 11.6 percent from Europe. It is estimated that there were 11.6 million illegal immigrants in the country as of January 2006, more than half of which were from Mexico (Hoeffler et al., 2007).

Thus the U.S. is quite a racially and ethnically heterogeneous country, with a large portion of its population (2005) consisting of Hispanics (14.0 percent), Blacks (12.8 percent), and Asians (4.3 percent). According to the Census Bureau,<sup>9</sup> Hispanic and Asian-American populations will triple by 2050, reducing Whites to a bare majority of the population. Within the child population, 57.3 percent are White, 20.3 percent are Hispanic (of any race), 15 percent are Black, and 3.9 percent are Asian. The U.S. is religiously diverse as well.

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<sup>9</sup> See <http://www.census.gov/>.

In 2007, the U.S. total fertility rate was slightly below the replacement level (Figure 3-5). It was at replacement level (2.1) a few years earlier, very unusual in the industrial world, and exceeded in the OECD only by Mexico and Turkey.



Source: U.S. Department of Health and Human Services, <http://www.hhs.gov/>; Central Intelligence Agency, The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/>.

Figure 3-5: Total Fertility Rate in United States — 1950-2007

The U.S. has a higher marriage rate, as well as a higher divorce rate, than EU countries. Its out-of-wedlock birth rate is high (almost 40 percent in 2006), but not as high as the Nordic countries, France, and the U.K. However, it has a higher teen out-of-wedlock birth rate than EU or other OECD countries, even though rates have declined steadily in the 1990's, as have teen pregnancies. The U.S. cohabitation rate is not as high as rates in Northern Europe, but is increasing rapidly; in 2005, unmarried-partner households were 5 percent of all U.S. households. Of these, one third included children under fifteen.

Some 31 percent of families with children are single-parent families, higher than EU or other OECD countries, except for the U.K. Some 28 percent of children lived with one unmarried parent, mostly the mother, in 2006 (but some of these may

be in covert cohabitation). Of single mothers, 47.8 percent are single, 13.3 percent separated, 34 percent divorced, and 4.8 percent widowed. Most children in 2006 (67 percent under 18) live with two married parents. Others are in “blended” households, with step parents, in adoptive homes, and in extended households.

Female labor force participation was about 71 percent in 2005, above the EU and OECD averages. Over half of all families with children are two-parent, two-earner families. Almost three quarters of all married women with children and three quarters of single mothers are in the labor force. Almost 60 percent of married women with children under 6 are in the labor force. Some 56.1 percent of mothers were back at work in 2006 before their children were of age one year. Two-thirds of the working mothers with their child under 6 worked full time in 2006.<sup>10</sup>

### **3.4.2 Fertility Policy**

A hundred years after the Progressive Era, at the beginning of the Clinton Administration, there were new child and family initiatives, but by the middle of Clinton’s term a wave of conservative reaction had begun to dismantle a sixty-year history of increasing social entitlements. Nonetheless, the picture was mixed in the final Clinton years and the early George W. Bush years because of a good economy, improved Earned Income Tax Credit, childcare expansion, and some state welfare programs. However, budgetary and social policies in the latter part of the first Bush term cut back and constrained programs important to families and their children.

To the extent that the U.S. has implicit child/family policies, they can be identified and assessed only in the context of more broadly defined social policies and they can be understood only with reference to a tradition that has included several major elements:

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<sup>10</sup> See <http://www.bls.gov/news.release/famee.nr0.htm>.

- A strong value placed on individualism.
- Separation of Church and State in order to be receptive to diverse religions and ensure their freedom.
- Protection of the family as a private unit and a stress on avoiding government interference with family matters.
- Puritanism and related Protestant religious streams that stressed that one could legislate to prevent evil but that “goodness” had to be voluntary. As a result, voluntarism as opposed to statutory enactment was favored for social welfare.
- Social Darwinism, a mid-nineteenth-century “scientific” belief that emphasized that survival of the fittest was the “natural” order and that societal intervention in the process was counter-productive.
- A history of slavery followed by “emancipation” after the Civil War (1865) that was followed, a century later, by landmark legislation during the civil rights movement of the 1960s; but strong strains of racism remain.
- A strict work ethic as central to the value system.
- A relatively open immigration policy, which created population growth while reducing, perhaps eliminating, any case for pronatalist policies.
- A limited role for the federal government; until late in the nineteenth century, Washington was not believed to have responsibilities in the social sector, which was considered to be the province of the states.
- Laissez-faire economic and social policy (liberalism in the European sense) and an emphasis on free markets as the dominant ideology that would bring a society growth and prosperity.
- The late development of a civil service and government bureaucracy, which limited the national government’s capacity for social policy and raised doubts about the quality of states’ efforts.

- An ambivalence after World War II regarding women's roles, in particular whether public policy should take a position on encouraging women with young children to remain at home, providing care for their children, or to enter the work-force, helping to sustain family income (OECD, 2001).

Historically, these themes have manifest themselves in various ways, as economic, social, and political contexts changed, the economy moved on through the industrial revolution to a post-industrial society, and as demographic and social changes led to major shifts in family values and perceptions. The point of departure was poor law following the British tradition and experience, tempered by a strong and important voluntary middle-class charitable movement that first emerged in the nineteenth century, compensating for poor law and aiding those considered more “helpable” and “deserving”.

Within this context, social policies affecting children and their families focused first on the unfortunate, the handicapped, and the most severely deprived, and second, on the poor. Except for free and compulsory public education, a development in which the U.S. was among the leaders internationally, the U.S. was late in its development of social policy for children generally. Overall, it has placed a heavy emphasis on services and other in-kind benefits for the vulnerable and the poor. As for improving the economic situation of families with children, the policy has been largely one of ending almost all taxation of the poor except for social security payroll taxes, offering modest and inconsistent cash benefits to some low-income families and tax benefits to the middle and upper classes.

### **3.4.3 Measures to Raise Fertility**

#### **1. Caring Rights in Labor Law**

The U.S. has no national maternity, paternity, or parental leave policy. It does

have an unpaid family leave and five states (California, Hawaii, New Jersey, New York, and Rhode Island) have a paid temporary or short term disability benefit that covers pregnancy and maternity as well. The duration is typically of about 10-12 weeks. Many employers offer maternity leave under temporary disability plans through company policy or collective bargaining agreements. The Family and Medical Leave Act (FMLA) was enacted in 1993 and requires that businesses with 50 or more employees provide 12 weeks a year of job-protected, but unpaid, leave to qualified employees (those who have worked at least 1250 hours in the prior year), for birth, adoption, foster care, or personal or family illness. Employers must also continue to provide health insurance (if provided before).<sup>11</sup>

In 2000, President Clinton recommended that states use unemployment insurance to provide cash benefit that would partially replace wages foregone while on leave. The Department of Labor issued regulations permitting states to implement such a policy and California enacted legislation in 2002. President Bush rescinded the regulations in 2003. President Clinton recommended expanding the FMLA to cover firms with 25 or more employees and to permit parents to take up to 24 hours of leave a year to visit a child's school or take a child to a doctor. As yet, despite initiatives in some states, the situation is essentially unchanged, and a 2007 Report by the Department of Labor on FMLA is feared by some as opening the door for statutory or regulatory changes that will narrow its coverage.

California's groundbreaking paid family leave law went into full effect on July 1, 2004.<sup>12</sup> Over 12 million California workers, nearly 10% of the US work force, can now receive income replacement for a maximum of 6 weeks (paid up to 55% of wages up to US\$882 a week for 2007) when they take leave to care for an ill family

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<sup>11</sup> See <http://www.dol.gov/esa/whd/fmla/>.

<sup>12</sup> See <http://www.paidfamilyleave.org/>.

member or a new child. They simply apply to a state-administered, employee-funded insurance fund. The cost is minimal: A minimum wage earner pays an estimated US\$14.00 a year, while the estimated average cost is US\$27 per worker per year. The law was backed by a broad coalition of supporters, including representatives of labor, women, seniors, communities of color, children, parents, caregivers, the disabled, faith communities, employers, and many, many others.

## **2. Family Allowances**

No child or family allowance is provided in the U.S. Cash benefits provided to families with children are based on the presence and number of children, and are usually regardless of income. There are, however, tax benefits contingent on the presence of a child.

## **3. Child and Family Tax Benefits**

The Earned Income Tax Credit (EITC) is a refundable tax credit for low earners. Families with one or more children can receive much more EITC than single workers who do not have to care for any children.<sup>13</sup> For tax year 2007, the maximum EITC amount a qualifying worker with one child can receive is US\$2,853. For two or more children under one's care, the maximum amount is US\$4,716. For workers with no children, the maximum EITC amount is just US\$428. Of course, the EITC amount that most workers can obtain is lower than these maximum figures. Workers who are eligible for the EITC can receive an advance against their credit. This advance is not a lump sum. Rather, the payment is spread throughout the year as extra money in the worker's paycheck. Some nineteen states supplement this encouragement to work with their own EITC's and New York City is unique in providing its own city version.

A variety of tax benefits and credits aid parents at all educational levels, particularly for college, and include: tax deductibility within limits for qualified

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<sup>13</sup> See <http://www.taxcreditsources.org/pages.cfm?contentID=34&pageID=12&Subpages=yes>.

educational loans; IRA savings for future educational expenses; college savings plans; and other educational expenses in low-income families, etc.

During the Clinton years, the U.S. enacted its first “child allowance” alternative, a US\$400 per child tax credit for families with incomes above the tax threshold. The credit was increased to US\$1,000 effective from 2003 and 2004. As of 2006, the credit is refundable to the extent of 15% of earned income in excess of US\$11,300, or the unused amount of the Child Tax Credit, whichever is lower (U.S. House of Representatives, 2004).

Finally, there has been a dependent care tax credit which applies to childcare. High costs related to childcare can present a substantial barrier to work for low-income parents. Federal and state governments provide assistance to alleviate that barrier through the tax system by offering credits and deductions for childcare expenses.<sup>14</sup> The main source of aid from the federal income tax system is the child and dependent care tax credit (CDCTC). For families with one child and adjusted gross income below US\$15,000, in theory, the credit offsets up to 35 percent of expenses for the first US\$3,000 of childcare expenses (US\$6,000 for families with more than one child).

#### **3.4.4 Effect Evaluation**

In 2007, the total fertility rate of United States was slightly below the replacement level. It was close to replacement level a few years earlier, which was quite unusual in the industrial world. The fertility rate among Americans has climbed to its highest level since 1971, setting the country apart from most industrialized nations that are struggling with low birth rates and aging populations. The U.S. is probably one of a very few industrialized countries that have a fertility rate close to or

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<sup>14</sup> See <http://www.urban.org/publications/1000796.html>.

at replacement level.

What is paradoxical is that the U.S. doesn't have family friendly policies despite its high fertility rate. One explanation for higher American fertility is that the United States is more racially and ethnically diverse than other more developed countries. The largest U.S. minority groups tend to have higher fertility than the white non-Hispanic majority. Moreover foreign-born women tend to have higher fertility than U.S.-born women. Because minorities and immigrants make up an increasing proportion of the U.S. population, these racial and ethnic differences may keep fertility at the same relatively high level for decades to come. Immigration and better job security for working mothers contribute to more births. It has also become easier for women to negotiate leave from work in order to stay home with their children.

### **3.5 The Fertility Evolution and Policy in Japan**

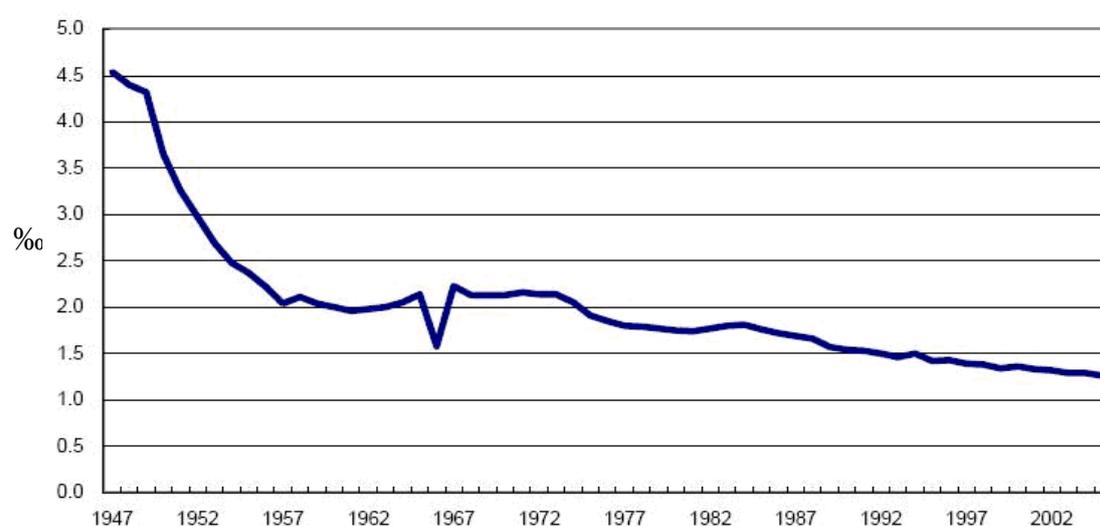
Japan is currently experiencing a drastic shift in population distribution, having had a high fertility rate following the baby boom era after World War II, but falling to one of the lowest rates in the world only 50 years later. Today, Japan confronts critical issues concerning declining fertility and an aging society.

#### **3.5.1 Demographic and Social Trends**

Following a brief baby boom after World War II when soldiers returned home, the TFR in Japan declined sharply from 4.54 children per woman in 1947 to 2.04 in 1957. During this period post-war devastation and reconstruction posed hardships that motivated families to have fewer children. The decline in fertility was facilitated by legalization of abortion in 1948, which led to a steep rise in the number of abortions.

After 1957, fertility leveled off at the replacement level of about two children per woman and remained there until 1973, albeit with some fluctuation. The period

1957–73 was a period of unprecedented prosperity during which per capita real income increased by about 10 percent per year. This prosperity facilitated marriage and childbearing and temporarily halted the decline in Japan’s fertility rate. The unusual downward spike in the TFR in 1966, followed by recovery the next year, occurred because 1966 was the Year of the Fire Horse. According to Japanese superstition, girls born in that year are believed to be unlucky in life, with the result that many couples avoided having a birth in 1966.



Source: Ministry of Health and Welfare, <http://www.mhlw.go.jp/english/index.html>.

Figure 3-6: Total Fertility Rate in Japan — 1950-2007

Figure 3-6 shows that after 1973 the TFR fell faster than ever. This occurred because the TFR is affected not only by fertility within marriage but also by age at marriage and the proportion who never marry, both of which started to rise after 1973. The effect of age at marriage and the proportion never marrying on fertility is especially important in Japan because only about 2 percent of births occur out of wedlock. Indeed, as we shall see shortly, later marriage and fewer marriages account for about half of the decline in the TFR since 1973.

The 1973 oil shock abruptly terminated the period of rapid economic growth.

The steep increase in the price of oil by OPEC affected Japan more than most countries because Japan imports all of its oil.

The oil shock plunged Japan into a recession that was followed by a rebound three years later to a much lower economic growth rate of about 3–4 percent per year. The recession was accompanied by rapid inflation, amounting to 53 percent over three years. Unions reacted by negotiating large wage increases for regular full-time workers, after which struggling companies started hiring large numbers of non-union part-time workers at much lower wages. Part-time workers not only cost less but also could be laid off as needed, giving firms more flexibility during future economic downturns. Most part-time workers were women, many of whom previously did piece-work at home but now worked in production work outside the home. As a consequence of these and other developments, age at marriage started rising again and the TFR started falling again. The TFR gradually fell from 2.14 children per woman in 1973 to 1.22 in 2007.

### **3.5.2 Fertility Policy**

The Japanese government was surprised by the historically low TFR of 1.57 in 1989 and started an inter-ministry meeting to devise measures to cope with the declining fertility in 1990. The amount of child allowance was raised in 1991, while the period of payment was shortened because of budget constraints. The Childcare Leave Law was established in May 1991 and was enforced in April 1992 ([Suzuki, 2006](#)).

In December 1994, the government publicized the Angel Plan for the five-year period between 1994 and 1999. The program emphasized compatibility between work and childcare and public support of childrearing. As a part of this program, amendments to the Childcare Leave Law were made to support income and exempt

payment of social security premium in 1994. In 1997, a major revision was made to the Child Welfare Law to provide satisfactory daycare services for working mothers.

In December 1999, the government made the New Angel Plan for the period between 1999 and 2004. This document asserted the need to improve gender equity and working conditions. In May 2000, amendments were made to the Childcare Leave Law and the Child Allowance Law. It was decided that 40% of wage should be paid during the leave. Child allowance coverage was expanded from children less than three years old to all preschoolers (Suzuki, 2006).

The Ministry of Health, Labor and Welfare announced the Measures for Decreasing Children Plus One in September 2002. The document proposed that local governments and private companies invent their own plans to support bearing and rearing of children. This proposal was accepted in the Next Generation Law enacted in July 2003. Local governments and large companies were required to submit their own programs to foster new generations. At the same time, the Law for Measures to Cope with Decreasing Children Society ordered the Cabinet Office to prepare new measures to prevent the rapid decline in fertility. An expansion of child allowance coverage to children in the third grade of primary school was enforced in April 2004.

In December 2004, the government declared the New-New Angel Plan for the period between 2004 and 2009. The document emphasized the role of local governments and companies in providing childcare support and improving gender equity. In addition, the document pointed out the importance of economic independence of the youth. This was a response to the increasing number of “freeters” (temporary workers) and “NEETs” (young people not in employment, education or training).

### **3.5.3 Measures to Raise Fertility**

#### **1. Child Allowance and Tax Relief**

The Child Allowance started in 1971 in Japan. At that time, only the third and subsequent children, less than five years old, whose parents did not exceed the income threshold, were eligible. The birth order limit was relaxed to the second birth in 1985 and to the first birth in 1990. The age limit was raised to all preschoolers in 1974 but it was lowered again to three years old in 1985 (Suzuki, 2006). The income threshold is still maintained.

Since 1992, 5,000 yen per month for the first and second children and 10,000 yen for subsequent children have been paid. Until May 2000, only children less than three years old were eligible. Between June 2000 and March 2004, the age limit was raised until the entrance to primary school but means-test was tightened. From April 2004, the age limit was raised further until the end of the third grade of primary school, i.e. until the March after turning nine years old.

With Japan's birthrate in rapid decline, it has been decided to double the child allowance paid for first and second children to the parents or guardians of children aged under three years of age, regardless of the number of children, to 10,000 yen per child, as a way of reducing the economic burden placed on families raising young children. There will be no changes in the amount of child allowance paid for children of three years age and above, the age range for children who may receive benefits, or the upper income limit for benefits.<sup>15</sup>

Under the current tax system, a parent with a dependent child less than of age 16 is allowed deduction of 380,000 yen from income tax and 330,000 yen from local taxes. A parent with a dependent child aged between 16 and 22 is allowed deductions of 630,000 yen (income tax) and 450,000 yen (local taxes) (Atoh, 2005). It is assumed

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<sup>15</sup> See <http://www.mhlw.go.jp/english/topics/child-support/index.html>.

that tax rates for an average parent are 20% for income tax and 10% for local taxes. If there were no tax relief, 171 thousand yen will be lost for a parent with a dependent child of 16 to 22 years of age.

## **2. Maternity Leave and Childcare Leave**

Maternity leave in Japan was defined legally in 1926. Under the current Labor Standard Law, a female worker can have 14 weeks leave for childbearing. She receives 300,000 yen from the public health insurance system. In addition to this one time cash benefit, a mother can receive 60% of wage during the maternity leave if she has worked for at least one year. According to the National Fertility Survey in 2002, 67.3% of mothers used maternity leave. Among mothers who were regularly employed on the survey date, 87.9% used the leave. As expected, the rate was the lowest in small companies and highest in governmental agencies ([NIPSSR, 2005](#)).

Childcare leave was approved in the Diet of Japan in May 1991 and enforced in April 1992. Although the law allowed a female worker or her husband leave until the first birth day of their child, there was no cash benefit at that time. Amendments in June 1994 legalized a cash benefit of 25% of wage and exemption from social security premiums during the leave. These revisions were enforced in April 1995. An amendment in November 2001 raised the cash benefit to 40%; this was enforced in April 2002. Under the current system, 30% of wage is paid monthly during the leave and 10% is paid after returning to work. Although leave is basically allowed until the first birthday of a child, public servants can take leave until the third birthday. Other workers can prolong the leave for six months if a daycare center is not available. However, no cash benefit is paid in either case, for the prolonged period.

## **3. Childcare Service**

Compatibility between females' working life and childrearing has been the primary political goal of the Japanese government. The Angel Plan announced in 1994

had “support for simultaneous childrearing and work” at the top of its list. In accordance to this guideline, a major revision was made to the Child Welfare Law in 1997 and public daycare service shifted from the municipality assignment system (administrative measures) to a system that allows parents to select their preferred daycare center.

The New Angel Plan in 1999 maintained the emphasis on compatibility. The cabinet adopted “Zero Waiting List for Daycare Program” as a political goal in July 2001. The governmental effort has been at least partially successful in very recent years. According to the Children and Families Bureau, the number of children on the waiting list decreased from 26,383 in 2003 to 23,338 in 2005. However, daycare service is still less available in Japan for very early childhood. Of the 23,338 children on the waiting list, 15,831 (67.8%) were under two years old. This accounts for 0.47% of the population under age two. There were 632,011 children under age two (18.6% of the population) in daycare centers in April 2005. Since the proportion was 13.4% in 1998, there was an increase of 5.2 percentage points by 2005, implying expansion of capacity. However, such an improvement in childcare service does not seem to have contributed to fertility in Japan.

#### **3.5.4 Effect Evaluation**

Japan has been adopting new measures and extending old policies in order to cope with low fertility. However, efforts have not been successful in preventing fertility decline. Quantitative analyses have shown that the effects of policy interventions are weak. Thus, a large part of the gap in actual and desired fertility rates should be attributed to the direct effects of cultural features, not to governmental efforts. It is just a fantasy that the total fertility rate would return to a moderately low level if Japan adopted policy interventions used in western and northern Europe.

Although gender equity is a widely accepted political goal, it would be difficult to catch up with western and northern Europe, which has a long historical background. It is questionable if a consensus can be achieved for the government to support the idea of adult children moving out of their parents' houses.

No one would approve a policy to induce extramarital births by increasing the number of welfare mothers. Therefore, continuous fertility recovery will be impossible without a radical change in the family pattern.

### **3.6 Summary**

The overview above shows that fertility policy regimes vary considerably across nations, in provisions and modalities.

First, even if fertility policies have an impact on childbearing behavior, they do not necessarily lead to an increase in the total fertility rate and nor do they have a long-term effect on the level of fertility. Second, policies that support a woman's access to work, secure her employment retention, and ensure her sufficient income in most cases seem to be a prerequisite for her to consider having a child. It is essential that policies of this kind aim at mothers' labor-market integration. Third, the differences in total fertility levels between countries with low childcare provisions, like Germany, further suggest that these policies also exert an effect through their symbolic meaning.

The lack of childcare services, low benefit levels, long parental or care leaves, and gender-segregating policies signal to women that it might be difficult and impossible to combine employment and motherhood, re-enter the labor-market after parental or care leave, and maintain the standard of living in the short and the long run. This is likely lead to reduced fertility. More adequate provisions for childcare services, high levels of benefits, parental leave with options, and gender-equality oriented

policies may reduce concerns about compatibility of employment, re-entry into employment, and income maintenance, and may thus encourage the decision to have a child.

Experience of other nations suggests that government policies influence fertility decision-making partly through their economic impact, but partly also through the social message they carry. Humans are inherently social creatures, not simply rational economic beings, and we are constantly looking around us for clues to social behavior. A consistent set of government initiatives aimed at fertility is certain to have a long-term effect on couples, encouraging them to think more consciously about their decisions.

Furthermore, the balance between work and the family is not only a fertility policy issue, and cannot simply be solved by an increase in subsidized childcare facilities. It is also an issue with wider implications that concern employment policy, working time policy, and urban and city planning policy. Each of these policy areas is implicated. For example, a high unemployment rate among young adults deters them from building a family and they postpone having children. Housing shortages also delay the setting-up of a family, and long working hours are not compatible with family life and parental obligations. Therefore, policies in each of these spheres need to play a role in creation of a family-friendly environment.

In conclusion, a rise in the fertility rate could be achieved by fertility policies established in partnership with national population guidelines. This also implies a sustained shift in values, reinforcing the view that children are to be considered not only as a cost to families but also as an investment for the whole of society.